

Michigan Regulatory Reform Committee  
Wednesday, May 25, 2011  
Testimony of Patrick Moody  
Executive Vice President of Cornerstone Chamber of Commerce

Thank you Chairman Crawford, Representative Pscholka, Members of the Regulatory Reform Committee, citizens and guests.

My name is Pat Moody, and I serve as the Executive Vice President of the Cornerstone Chamber of Commerce, a regional business association serving the greater Benton Harbor and St. Joseph area, with some 650 members ranging from Kalamazoo to New Buffalo, from Michigan City, Indiana to Grand Rapids and beyond.

I am exceedingly pleased that my long time friend, 79<sup>th</sup> District State Representative Al Pscholka, has taken up the long overdue cause of regulatory reform when it comes to the timely handling of liquor license applications by the Michigan Liquor Control Commission as outlined in the Michigan Liquor Control Code of 1998.

As a Chamber of Commerce, my organization works daily with entrepreneurial men and women working to launch new businesses in the hospitality industry hoping to capitalize on the destination attractions that annually draw tens of thousands of people to the area.

Often times these are people who are putting their life savings on the line in order to bring their dream to fruition. The Herculean task of lining up real estate, construction crews, utility providers, tradesmen of all types, vendors, service providers, financial professionals, employees, customers and beyond can be mind boggling. Most of these businessmen and women assume that the tasks of acquiring licensing approvals, permitting and other authorizations will be reasonably routine in nature. Unfortunately, history has proven those assumptions to be woefully incorrect and increasingly foolhardy at best.

The horror stories that I and others who have tried to help counsel these entrepreneurs are sometimes unbelievable. Unfortunately, they are all too often frighteningly true.

Consider the cases of Spinnaker's of St. Joseph...the 5 O'Clock Sports Bar of Stevensville...Pablo's of Sawyer...and Tulips of St. Joseph Township. These are just a handful of proprietors who all waited 9 months to more than a year for the processing of applications for operational licenses in our neighborhood.

I'd like to begin with the story of Tulip's an Asian Bistro that originally planned to operate without adult beverages. Following their first summer and fall of operations, they made the decision to seek a license since so many patrons had requested such service. They were told by a broker that it could take 6 months or better, but they were successful in buying a license for \$45-thousand dollars early last year. Immediately, they had to shell out another \$3,000.00 to retain a law firm to start the license approval process. It took three people from their staff a minimum of 10 to 15 hours each just to fill out the information requested. They were challenged to provide the source of all funds and the resulting use of those funds for everything in their restaurant, not just the source of funds for the license and resulting planned operations. While they only wanted a beer and wine license, they were told they would have to provide spirits as well in order to obtain a license in a timely manner. The resulting application was more than an inch thick according to one of the principals involved in the process. The interview process with an inspector took at least three hours, followed by several follow up documents requested in that process. Once the premises were viewed by the inspection team, the principals pointed out that a nearby church might need to be contacted, but the Liquor Control Commission determined that it was not a problem, inasmuch as it was outside the mandated 500 foot boundary requirements. Three weeks later, as the process was continuing, the Commission informed the restaurant that they (the Commission) had made a mistake, and the church was not only, in fact, inside the boundary but fully intended to protest the application because "liquor is the root of all evil." The license had been purchased in February. It was mid-August when the dispute arose. Recognizing that they had already missed the critical tourist season, struggling financially because they were not able to provide the requested service while laying out more than \$50-thousand dollars to continue the process, and realizing that the church's dispute would take minimally 6 weeks to resolve with no assurance that the restaurant could successfully prevail, Tulips...the Asian Bistro ceased to exist and closed up shop completely. The owners of that operation also co-owned the Port 412 Restaurant in the heart of downtown St. Joseph, and it was barely a month or two later that the fiscal tightrope they were walking ended up in the closure of that world class facility as well.

The family that owned and operated Spinnaker's spent tens of thousands of dollars preparing a fine family restaurant for visitors and residents alike, only to continually be placed on hold, month after month. They had originally planned to be up and running in the holiday

season at the end of the year, several years ago. They were virtually certain that they would be ready for Blossomtime in early May when tens of thousands of families watch one of the oldest and largest parades in the state of Michigan pass by their front door. They watched the summer come and go with no license and eventually elected to open for business without alcohol in order to keep from going broke. It wasn't until winter that they finally gained approval, and could begin to serve. They struggled through another year and eventually closed up shop completely.

The 5 O'Clock Sports Bar family really went out on a limb working to buy a major restaurant building and convert it to their dream. Month after month after month came and went with no approvals in sight. Again, thousands of dollars were expended acquiring a multitude of TV's to showcase the wide world of sports that they wanted to become known for. They, too, came perilously close to giving up the ghost before even opening their doors. While they have survived, the delays put them in a serious world of hurt financially which may still take years to overcome.

Pablo's of Sawyer anticipated a relatively easy time since it was a transfer being sought. The place had been serving alcohol for years under previous ownership. Colleagues at my office tell me it took one full year to complete, and the owners of Pablo's operated for less than a full season before being financially strapped to the point that they had to close down operations. Fortunately, they were successful in selling the restaurant, and new operators are now in the house and working to succeed.

A local attorney well-versed in the art of liquor license transfers shared other horror stories with me including the case of a license holder who constructed an entirely new facility alongside his aging property and needed to transfer his license to the new building when it was completed. From front door to front door was no more than 20 yards for this existing license holder. Nevertheless...the transfer by the Michigan Liquor Control Commission took nine full months to fulfill.

In another case, a long time license holder added two new stockholders to his corporation. The two were his sons, who he brought into the business to help keep a family tradition alive. The time it took the Michigan Liquor Control Commission to add two names to the license for his establishment? Four years. Four years, ladies and gentlemen!

I repeatedly hear from people working to accomplish these efforts that field personnel and inspectors are typically quite responsive. The bottle neck, those people tell me, is Lansing.

It often takes weeks on end to even get a case assigned for review by staff. Once it gets to regional staff in Grand Rapids, things move along quite well. Then, when it gets back to Lansing, multiple weeks of unnecessary, untenable delays ensue. Even after a closing packet has been approved and the paper work is complete, two to three weeks of delays can be almost guaranteed.

Unless you enact accountabilities that curtail these delays, there can be no resolution to this bottle neck that is throttling the men and women working to bring new business to the marketplace.

People's livelihoods are at stake. People's dreams are being dashed. People's fortunes are being depleted because the red tape is as thick as a forest.

The true irony in all of this is that the state could be, and would be, generating substantial new revenues through the sale of licenses, the sale of product, and the collection of tax dollars every single day that these delays are allowed to continue.

If we truly are going to embrace economic gardening in this state please help us keep the weeds from choking the life out of the seedlings being planted.

If we truly are going to re-invent Michigan, let's get a patent on speed of application and quality of customer service.

The Pure Michigan campaign is doing its job extremely well. Shouldn't we expect that the people who run the state of Michigan do their jobs to that gold standard as well?

Thank you for listening...thank you for consideration...and thank you for taking action to turn Michigan around!